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NEWSPAPER

Nation's Restaurant News®

The Weekly Newspaper of the Food-Service Industry

Vol. 22, No. 36 | Published every Monday by Lebhar-Friedman Inc.; $3 a copy, $26.50 a year | September 5, 1988

Rising labor costs and legislative woes rule Calif. confab

By Alan Liddle

SAN FRANCISCO — California restaurateurs, some shell shocked by the explosion of labor expenses in recent months, are looking for ways to increase efficiency and reduce turnover and food costs.

Several owners indicated their intense scrutiny of operations was directly related to the introduction of a federal FICA tax on tips in January and the hike in California's minimum wage from $3.35 to $4.25 an hour July 1.

Also prompting a new look at the way they do business, some said, is the certainty of drought-related increases in food prices in the months ahead.

Operators talked about their cost-cutting strategies during last month's Western Restaurant Convention & Exposition in San Francisco, where the government's impact on the bottom line was a hot topic.

John Berwald, owner of Armadillo Willy's

(See CRA, page 82)

Attendance down at Western show
Page 7

NRN Photo

Stephen Risolvato, left, of J. Paul's in Atlanta, talks with Paul Cohn, Barry Silverman, and Heinz Stiehl of CMDC.

Atlanta J. Paul's clone sparks owners to action

By Jack Hayes

ATLANTA — Fueled by the explosive success of J. Paul's, introduced here only two months ago as a carbon copy of Capital Management Development Corp.'s five-year-old Washington, D.C., dining saloon concept, the company is making plans to clone its other Georgetown restaurants into Atlanta's upscale Buckhead market.

"If Pano Karatassos [Pano's & Paul's, The Fish Market, 103 West, Capriccio, and Buckhead Diner] can operate five properties here, why can't we?" asked Paul Cohn, CMDC's director of marketing and new concepts during an interview at the 200-seat, 7,000-square-foot Atlanta J. Paul's, which is on target to gross $4 million its first year.

"Buckhead and Georgetown are equivalent demographi-

(See CMDC, page 4)

Fast feeders fight franchisor abuse

Coalition goes before Congress

By Deane Evans

WASHINGTON — Franchisors are "abusing" fast-food operators and other franchisees by offering contracts on a "take-it-or-leave-it" basis and terminating franchises "on the whim" of some headquarters vice presidents, franchisee representatives told Congress.

Testifying before the House Small Business Subcommittee on Antitrust, attorney Michael Wild of the Fair Franchising Coalition charged that the success of many franchisees is compromised by "the inordinate power that franchisors

(See COALITION, page 82)

Attorney details unfair practices
Page 82

FOOD WATCH

Au naturel!

DALLAS — What's low in calories and cholesterol, high in protein, filled with vitamins, natural flavors, and fiber and has no preservatives? New American/Spa Cuisine. What else?

At his restaurant, Margaux Natural, chef David Feder cooks mainly with olive oil and some sesame and sunflower oils. He uses no animal fats, butter, or other dairy products, with the exception of Bulgarian yogurt. Eggs are also out of the question, except as ingredients in pasta and mayonnaise.

For instance, the butter substitute for the fennel and sun-dried tomato house bread is hummus, a tahini and chick pea mixture.

Feder's pizza begins with a homemade whole-wheat dough topped by a rich tomato, herb, and garlic sauce, then lavished with several types of mushrooms and finely shredded fresh herbs and red onions.

—Ken Frydman

Rocky Rococo pizza chain closes 30 units

By Carolyn Walkup

MADISON, Wis. — Rocky Rococo, a strong regional pizza chain based here, has closed 30 of its 128 restaurants because of disappointing sales.

"We have pulled our horns in from expansion and will sell or lease those properties," said Tom Hester, Rocky Rococo's president.

The closings mark a sharp about-face for the chain, which grew by leaps and bounds after its entrepreneurial founders began franchising clones of their pizza concept, a cult favorite of University of Wisconsin students, in 1983. Public Storage Inc. of Glendale, Calif., now owns Rocky Rococo.

The entrenchment comes at a time when many restaurant chains are forgoing expansion to focus intently on bolstering the sales of existing units.

Rocky Rococo closed the units in its newer markets after anticipated sales fell below expectations and operating costs proved too high, according to Hester.

The shuttered stores, mostly owned by limited partnership investors and company managed, were in Indianapolis; St. Louis; Denver; Des Moines, Iowa; and Chicago.

Two remain open in St. Lou-

(See ROCKY, page 82)

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All other business, call (212) 371-9400 and extension:

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Subscription rate: Food-service operators and wholesalers/distributors, one year, $26.50, two years, $44.50. Auxiliary (consultants, architects, designers, manufacturers, suppliers, and schools) and all others, $59.

Nation's Restaurant News (ISSN 0028-0518) is published weekly, every Monday except the last Monday in December, by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Second-class postage paid at New York, N.Y., and additional mailing offices. POSTMASTER: Send change of address to: Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079.

For change of address, please write Subscription Department, Nation's Restaurant News, 305 Madison Ave., Suite 535, New York, N.Y. 10165-0079. Six weeks' notice is requested. Please send old and new address and zip codes. If possible, include mailing label.

Vol. 22, No. 36 Sept. 5, 1988

NEWS DIGEST

Foodmaker to be acquired by New York investors

SAN DIEGO, Calif. — Foodmaker Inc., parent of the Jack in the Box and Chi-Chi's chains, has signed a definitive agreement to be acquired for $247 million by FM Acquisition, a newly formed investment company.

FM Acquisition includes Gibbons, Green van Amerongen, a New York investment banking firm that already controls about 29 percent of Foodmaker's common shares.

Foodmaker operates the 970-unit Jack in the Box quick-service chain and the 191-store Chi-Chi's Mexican dinner-house system.

Carl Leo Karcher admits to insider stock trading

LOS ANGELES — Carl Leo Karcher, the son of Carl's Jr. founder Carl N. Karcher, has admitted that he traded on insider information when he sold stock in the fast-food chain's parent before the company disclosed a dramatic earnings decline in 1984.

The Securities and Exchange Commission leveled insider trading charges against the younger Karcher, his father, 11 other family members, and one employee of Anaheim, Calif.-based Carl Karcher Enterprises in April. The younger Karcher, a Carl's Jr. franchisee and former Carl Karcher Enterprises vice president, is the only one of the group singled out by the SEC in its motion for a summary judgment.

During a 1985 out-of-court hearing, the SEC said, Karcher admitted that he believed it was his legal right to sell the debentures at a loss. Although he sold the securities for a loss of about $25,500, he avoided a further potential loss of $10,500 by the early sale. He faces forfeiting that amount and civil penalties of up to $31,500 more.

Wyatt rejects $179M bid from Furr's-Bishop's

DALLAS — Wyatt Cafeterias' board has rejected a $179 million takeover bid from Lubbock, Texas-based Furr's-Bishop's Cafeterias.

Privately held Wyatt has agreed to be acquired by an employee stock ownership plan for $84 a share, or $5 less per-share than the amount offered by Furr's-Bishop's. In rejecting the higher bid, Wyatt cited the tax advantages of selling to the ESOP.

Furr's, which would become the nation's largest cafeteria operator if a deal is struck, said it is considering increasing its bid or taking legal action against Wyatt.

City orders armed guards for drive-thru restaurants

COMPTON, Calif. — The city council has ordered 18 fast-food restaurants here to hire armed guards for their parking lots in the wake of shootings at McDonald's and Taco Bell units.

Two men were wounded and one woman died during the recent rash of robbery assaults on drive-thru customers. Both woundings occurred at a McDonald's that already has an armed guard inside the restaurant.

Council members insisted the restaurants can afford the typical $110-a-day cost of posting a guard from 2 p.m. until 2 a.m.

Fuddruckers licensee to buy D.C.'s Little Tavern chain

WASHINGTON — Little Tavern Shops, a 22-unit local hamburger chain, has agreed to be acquired for an undisclosed amount by Atlantic Restaurant Ventures Inc., an operator of franchised Fuddruckers units in the area.

Little Tavern specializes in "sliders," the small burgers that are also the specialty of the White Castle and Krystal chains.

Government rejects request for school lunch standards

WASHINGTON — A government official has rejected a consumer advocacy group's demands that limits be set on the amount of fat, sodium, and sugar contained in lunches served through school feeding programs.

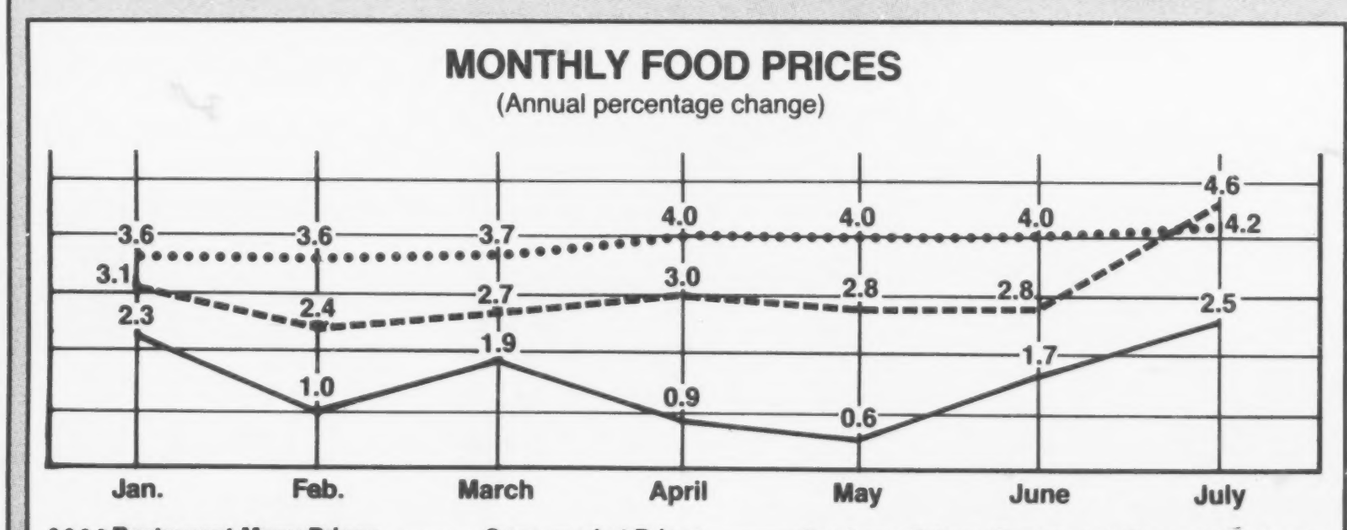
Suzanne Harris, deputy assistant secretary for food and consumer services for the U.S. Department of Agriculture, dismissed the request after the Public Voice for Food and Health Policy criticized current policies. A study by the group blasted school lunch programs for feeding children too much fat and salt and too little fiber.

Harris said there is no research pinpointing how much fat or salt a typical growing child should consume at lunch.

KFC franchisee to consider bid from Florida suitor

CLEVELAND — Morgan's Foods, a Sizzler and Kentucky Fried Chicken franchisee, said its directors would meet soon to consider a $17.6 million acquisition bid from Romet Corp., a Boca Raton, Fla.-based company.

Morgan's operates 71 KFC units and 11 Sizzler steak-and-buffet restaurants.



Source: U.S. Department of Labor

Drought sparks food price hikes

WASHINGTON — Spurred by the drought, July food prices jumped 2.5 percent over last July's level, the biggest year-to-year unadjusted increase of 1988, according to the U.S. Labor Department.

The Producer Price Index for Finished Consumer Foods, the government's gauge of restaurant commodity costs, has been steadily climbing since May, when it bottomed at 0.6 percent.

Meanwhile, the Consumer Price Index for Food Away from Home increased an unadjusted 4.2 percent in July from the figure for the year-ago month as restaurateurs passed higher food costs along to their customers.

And at the supermarket, prices shot up even faster during the month, rising at a greater rate than restaurant prices for the first time this year. The Consumer Price Index for Food at Home rose at a year-to-year 4.6-percent rate, compared with a 2.8-percent rate during June and May.

Restaurant menu price increases had held steady at a 4.0 year-to-year rate for the previous three months, rising 1.2 percent quicker than supermarket prices during June and May.

FOCUS | VIEWPOINT

Nation's Restaurant News

is published by
LEBHAR-FRIEDMAN INC.
425 Park Ave., New York, N.Y. 10022
212 371-9400
Subscription Services, ext. 379 or 419
Cable Address: LEBHAFRIED
Panafax: 212 838-9487

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Publisher of Nation's Restaurant News, Discount Store News, National Home Center News, Drug Store News, Accounting Today, Computer&Software News, Computer Product Selling, Chain Store Age Executive (with Shopping Center Age), *APPAREL merchandising*. Affiliates: Business Guides Inc., Lebhar-Friedman Books; Inside Retailing (Newsletter); Chain Store Age News, Japan; Largo Music Inc.

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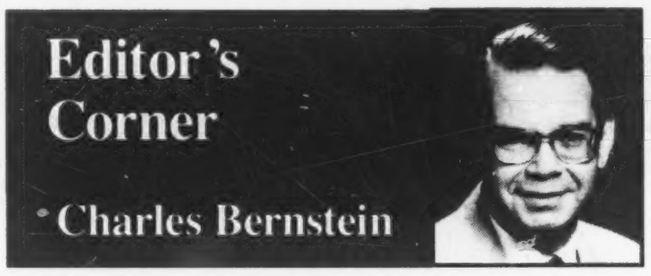
Golden oldies: tradition wins the fray

Restaurants come and go with lightning speed these days. What is touted as the latest "can't miss" phenom and is regularly jam-packed this year may well be out of business next year when the bloom is off the rose. A trendy place is only as strong as its ability to keep customers coming, and the novelty can quickly fade.

This is true in many cities that are sated with restaurants and too much of the latest "in cuisine." Bu the situation is dramatized in New York City where Biche, Bellini, Bouley, Aquavit, Metro, Toscana, and other trendy spots launched in the past year are riding high.



But where will the same restaurants be next year? We would wager that perhaps half of them will slip drastically as their luster tarnishes and the next wave of hot new places pours onto the scene. They may survive but with less clout.

Image rather than reality is the message. A constant stream of publicity in the daily press and in well-placed gossip and restaurant columns makes these places the ones of choice. But to stay there, they have to measure up in food, quality, and service.

Saturation is still claiming young and old victims. In one month last fall in Atlanta, Pearl's highly touted seafood house was shuttered after two years while Herren's 53-year-old downtown seafood house also closed. More recently, both of S&A's Bay Street seafood restaurants shut down, as did Allan Ripans' 40-year-old Crossroads seafood restaurant.

Everyone wants to get into the restaurant game, and the result is saturation and chaos with non-restaurateurs pouring into the fray. "It's so fashionable to become a restaurateur that every lawyer wants to be one," recently quipped Le Cirque's Sirio Maccioni.

Customers are tired of the unsteady nature of the latest fad. Food fashions have come and to some degree gone at a dizzying pace: nouvelle cuisine with its smaller portions and lighter fare, Cajun, Caribbean, Japanese, Mexican.

We submit that the real backbone of the restaurant business is not the trendy restaurants at all, but the solid, established places that have been on the scene for years, grinding out realiable cuisine at reasonable prices rather than the typical "only $80 for lunch for two."

Perhaps nobody ever heard of them, and maybe famous people rarely go there, but innumerable established restaurants are thriving on New York's overcrowded restaurant scene. A prime example is a one-block area of First Avenue where the 120-year-old Billy's restaurant and the old-time Mayfair restaurant are prospering.

When one walks into these places, one sees nothing pretentious about them. They are upgraded coffee shops at best, but the atmosphere is reasonable, the food is fine, and the price is right—one can actually get a full dinner for $12, one-sixth the price at New York's more glamorous restaurants.

Or, to apply the same reasoning to a far more elegant setting, tradition prevails at the spectacularly renovated Rainbow Room, which Joe Baum typically spared no effort to restore to the splendor of 50 years ago, down to the very last detail. This restaurant has a full house virtually every night, and the long waiting list for reservations is likely to continue for years, rather than passing in the wind, as so often happens.

The dangerous results of tampering with tradition can be seen first-hand at the refashioned "21" Club, where new owners "modernized" the decor and the menu—not completely by any means but enough to change the feeling. In an effort to lure younger customers, "21" lost much of its devoted middle-aged and older base and did not capture much of the younger market.

Little nuances that meant so much are missing at "21." The simple fact that Jerry Berns—or Mr. Jerry, as he is affectionately known—is not as much in evidence on the floor daily under the new regime, has sent more than a few customers scurrying elsewhere for their fine-dining fare.

In short, the delicate balance that it takes to succeed can be hopelessly upset when the original tradition is tampered with. This was also evident at Maxwell's Plum, where Warner LeRoy kept shifting the image of his beloved trendy restaurant until he closed it.

Certainly, restaurants need periodic face-lifts and moderate renovations. But the loss of the original feeling and flair sets off immediate warning signals.

Among our 90 Hall of Fame restaurants chosen in this decade are a several that prove the value of not tampering with established tradition. Just to name a few of the successful Hall of Famers who some might maintain are too tradition-bound, there are David and Karen Waltuck's Chanterelle, New York; Anthony Bommarito's Anthony's, St. Louis; George Perrier's Le Bec Fin, Philadelphia; David Ray's Locke-Ober, Boston; Ella Brennan's Commander's Palace, New Orleans ; Paul Kovi's and Tom Margittai's The Four Seasons, New York; Joseph Pierce's 1894 Pierce's, Elmira, N.Y.; and Lee and Michael Comisar's Maisonette, Cincinnati.

These and so many other established restaurants prove that an old-time eating house with devoted ownership true to its origins can beat a trendy one long-term if not short-term. When the glitter wears off today's trendiest places, the old standbys will still be prospering.

LETTERS

TIPS continues its battle against alcohol abuse

Editor, NRN:

As you may be aware, TIPS is the internationally acclaimed training program for servers to prevent alcohol abuse. Over the past five years, we have trained almost 100,000 people in all 50 states, Canada, and Mexico.

The TIPS program was subject to an independent university study funded by General Motors and proven to be effective. Copies of that study were published in the American Journal of Public Health as well as Alcohol Health and Research World.

As I am sure you are aware, demand for server training is growing exponentially. It has been fostered by a variety of things, I believe, including the following:

- The crisis involving drunk driving.
- The legal liability that may be incurred when an intoxicated individual injures a third party.
- The skyrocketing insurance premiums (you are probably aware that many major insurance companies either require TIPS training or provide substantial discounts if an establishment is trained in TIPS.) Indeed, both American Express and Diner's Club make available insurance at discounted rates to establishments that use their card if one is TIPS trained.
- The increasing movement among states to require server training. The idea of server training, incidentally, is gaining force internationally. Several of Canada's provinces are considering requiring server training.
- Finally and most important, TIPS training is perceived as the right thing to do. Drunkenness is unhealthy, and TIPS training is helping to create a new cultural norm that makes getting intoxicated socially unacceptable.

What makes the TIPS phenomena exceptional is that a wide coalition of organizations supports such training. TIPS is often called the "CPR of alcohol abuse." Segments of the insurance industry, including the restaurant, hotel, and related fields, all support such training.

On a governmental level, many Alcohol Bureau of Control boards require TIPS training, and police departments and local chapters of the National Council on Alcoholism are trained. The Red Cross is beginning several pilot programs to promote TIPS training.

The list continues.

—Marc E. Chafetz
president
Health Communications Inc.
Washington

On the job at Bay Berry's after letter is published

Editor, NRN:

Thank you for publishing my letter. I was looking for work and was having a hard time because of my age. I am 52.

Jim Baur, who is part owner of Bay Berry's restaurant, in Bensenville, Ill., contacted me and gave me a job. Right now I am working only part-time, but I have been promised full-time work.

At any rate part time is better than no time. It is also nice to know that your editorial page is read and that there are some results. Thank you again.

—Inga Pelzman
Roselle, Ill.

More letters appear on page F6

TRENDS

Plugola in film pays off in recalls

How much is a simple mention in a movie like "Let me have a Cutty Sark" worth?

Pul-lenty, according to the marketers of the Scotch, who were very happy to hear Alan Alda make the call in the movie "A New Life."

Immediately after seeing the film, viewers were asked "what brand names do you remember in the movie?" An average of 55 percent of all participants recalled the name Cutty Sark and the people who sell that Scotch are hoping that the movie plug pays off at the cash register with more calls for the brand. The normal recall rate for most products is about 35 percent and for alcoholic beverages it is 46 percent.

Champagne shipments set new record

Champagne shippers are toasting their own records as they review their record-setting sales figures for 1987. Total shipments from the Champagne region hit a new high of 217.8 million bottles, up by 6.2 percent over last year's results. Exports soared to 81.5 million bottles, up 8.3 percent while domestic consumption was 136.3 million bottles, up 5.2 percent.

Great Britain, which imported 19.3 million bottles and showed an increase of 19.5 percent, remains France's biggest international customer, with the United States running second. The other top markets in 1987 were West Germany, 10.6 million bottles; Switzerland, 7.3 million; and Italy, 7.1 million.

Shipments to the United States totaled 15.8 million bottles in 1987, an increase of 6.6 percent over the preceding-year figure. U.S. imports of champagne have soared in the 1980s. It imported 7.1 million bottles in 1982, 9.7 million in 1983, 11.9 million in 1984, 14.2 million in 1985, and 14.9 million in 1986.

Reserve stocks in champagne are a comfortable 700 million bottles, more than three bottles for every one shipped.

A super-sudsy year for nation's top beer maker

Anheuser-Busch Cos. reported record sales, earnings, and beer volume for the first quarter of 1988. Gross sales were $2.26 billion, up 7.3 percent compared with the same period in 1987.

Net income for the first quarter was $152.4 million, nearly 20 percent higher than the 1987 period. The giant brewer sold 198.2 million barrels of beer, an increase of nearly 5 percent compared with the first three months of 1987.

Anheuser-Busch opened its 12th brewery in 1988. The company is expanding its facilities in Newark, N.J., and Tampa, Fla., and it plans a 13th unit near Cartersville, Ga.

US boosts production of finer sparkling wines

American wine makers last year continued to shift from bulk processing of wines for sparkling wine to more costly *méthode champenoise* techniques. Production of *méthode champenoise* sparkling wines hit a new high in shipments of more than 2 million cases.

The decline in transfer process brands continued, and shipments of American charmat process wine showed their first drop in more than two decades.

Imports of sparkling wine were off for the first time in many years.

IMPORTED SPARKLING WINES

Gallons

	1986	1987	% Change
Italy	5,779	5,518	−5%
France	4,252	4,153	−2%
Spain	3,656	3,576	−2%

Source: Impact Data Bank

High-flying corks can be reined in

If you worry about being popped in the eye or popping someone else when you open a bottle of sparkling water, you'll be pleased to learn help is on the way. Theta Resources of San Francisco has developed a polyethylene stopper on a 4-inch tether, which is designed not to blast off on liftoff.

You're not likely to see the synthetic stoppers on great champagnes, which will always use traditional corks. With luck, however, in about a year you should find the polyethylene variety on cheaper bottles of bubbly.

Ale losing ground to lager in Brit pubs

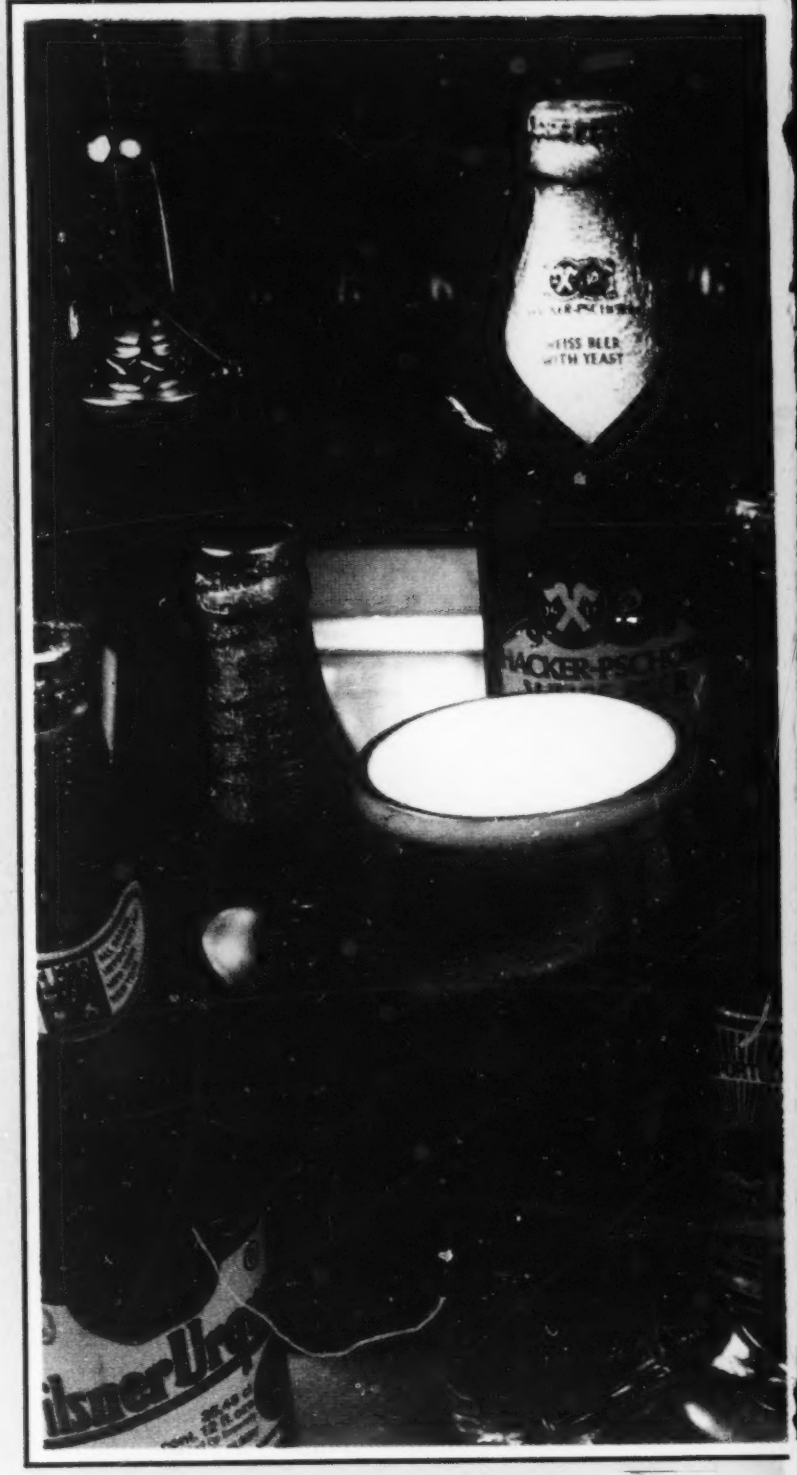
Those stories of British drinkers downing pints of warm bitters may soon become strictly tales from the past. More and more British drinkers are now calling for lager, and they're taking it cold. Approximately 50 percent of beer drinkers in London now favor the lighter brew over their traditional ales.

Lager, which accounted for only 1 percent of the total beer market in England and Wales in the 1950s, now has 44 percent of the market.

IMPORTED BEER BOOM:

Growth rate slowed in '87

Domestic brews soft as bars add imports, public tries new tastes



At Caroline's Star Fish Grill, a yuppie hangout in New York's South Street Seaport, five of the bar's 10 beers are imports: Bass Ale on draft, Amstel, Heineken, Dos Equis, and Corona.

Uptown at the more upscale Post House, seven of 11 beers on the list come from far across the Atlantic and the Pacific: Amstel Light, Bass Ale, Beck's, Foster's, Heineken green and brown label, Pilsner Urquell, and Klausthaler non-alcoholic beer.

In East Rutherford, N.J., later this month, the Park & Orchard restaurant will hold its third Gourmet Beer Dinner of 1988. The first two events, largely featuring imports, sold out at $35 a head.

All of this is to show just how much impact imported beer has had on the American market. For more than a decade, sales of imported beers were skyrocketing annually at a double-digit rate, but they slowed down considerably in 1987, though still outrunning the rest of the industry.

Last year the beer industry overall was off by .2 percent, according to statisticians at The Beer Institute, while imported beers were up nearly 6 percent. Imported beers now account for 5 percent of all the beer consumed in the United States.

While the days of double-digit increases appear to be ended, sales of imports are expected to continue to increase. In the first third of the year, generally a high volume period, domestic sales were up 1 percent, while imports were up to a 7-percent annual growth rate.

The Beer Institute estimates that imports should increase at the same 6-percent rate they showed last year, while domestic sales will top out at a 1-percent growth rate. The high cost of imports, particularly in this time of the weak dollar, has contributed to the slowdown in their growth rate in this country.

For bars and restaurants, imported beers represent extra income since they are in the premium and superpremium category. For instance, at Park & Orchard, a glass of Coors goes for $1.25 while Pilsner Urquell costs $2.50, MacAndrew's Scotch Ale $3, and Samichlaus Pale from Switzerland, brewed only once each year, is the most expensive brew at $5.

Park & Orchard, incidentally, has one of the most sophisticated draft beer lists in the East—Guinness, Coors, Watney's, Double Diamond, and New Amsterdam, with the Guinness being available only in pints at $4 a pop.

While the growth rate is slowing down, the attack on the American market and the fight for share continues. Just this summer Guinness introduced a lager beer, Guinness Gold, aimed at America's increasing preference for light beers. It's the first lager that the European giant has made in its 229-year history.

The top five brands—Heineken, Corona Extra, Molson, Beck's, and Moosehead—controlled more than two-thirds of the entire 290 million gallon import market last year. The top 10 split nearly 85 percent of that market.

Europe controls almost half of the import market; the Canadians and the Mexicans, about 20 percent. The big factor in the Mexican picture and the biggest story of recent years in import beers has been the sensational rise of Corona Extra, which shot up in sales from a half-million cases in 1982 to 20.6 million cases in 1987.

Corona's sales spurt has slowed, hurt quite badly by scurrilous rumors of unwholesome elements in its makeup last year. Barton Brands, its importer, says that the problem has been solved and that the brand is be-